

Decision 03-01-020 January 16, 2003

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Proposed Policies and Programs
Governing Low-Income Assistance Programs.

Rulemaking 01-08-027
(Filed August 23, 2001)

**INTERIM OPINION: PHASE 2 OF
THE LOW-INCOME NEEDS ASSESSMENT STUDY**

1. Summary

By today's decision, we adopt a funding level, schedule, and Request for Proposal (RFP) for Phase 2 of the Low-Income Needs Assessment Study, and direct Energy Division to implement Phase 2. We also adopt the Low-Income Needs Assessment Phase 1 Report (Phase 1 Report).

2. Background

In Resolution E-3646, dated March 16, 2000, we directed Energy Division to facilitate and manage a Low-Income Needs Assessment Study of the low-income energy programs administered by investor-owned utilities in California, to be divided into two phases. The first phase of the study was meant to identify the study objectives, current relevant data, and data gaps to be filled as part of Phase 2; design Phase 2; and create an RFP for hiring the Phase 2 contractor. Phase 2 is the primary data-gathering phase.

After Energy Division selected the Phase 1 contractor, a series of public workshops were held around the state at key junctures in the Phase 1 study to solicit public comment. Prior to the public workshops, drafts of materials to be

discussed in the workshops were distributed to the service list in Rulemaking (R.) 01-08-027. From October 2001 through March 2002, Energy Division held six workshops on the objectives of the Needs Assessment Study and on the RFP for Phase 2. Focus groups were also held with community based organizations and customers around the state to gather additional input.

As a result of the workshops and focus groups, the Phase 2 study objectives were expanded and refined to reflect the numerous contributions of participants. On April 3, 2002, Energy Division submitted the draft Phase 1 Report and a proposed RFP for Phase 2.¹ Subsequently, the Assigned Commissioner and the Commission added additional tasks to the Phase 2 study. These changes are described below.

On May 9, 2002, the Assigned Commissioner issued an Assigned Commissioner's Ruling (ACR) expanding the tasks to be completed in Phase 2 of the needs assessment. The ACR specified that the Phase 2 report should include the following:

- (1) A description of the various methods/options for gathering information on demographic characteristics of California Alternate Rates for Energy (CARE) participants.
- (2) A discussion of the relative accuracy of each method identified in (1) when used to develop penetration rates for sub-sectors of the low-income population, and
- (3) The data collection requirements and associated costs for developing penetration goals and penetration rate that are disaggregated based on demographic characteristics, based on the methods discussed above.

¹ The draft Phase 1 Report and the draft RFP for Phase 2 were served on all parties of record in this proceeding.

The ACR also directed Energy Division to modify the draft Phase 2 RFP to include these additional tasks and to serve it on the service list in R.01-08-027 and to the Low Income Oversight Board (LIOB). Energy Division made the changes and distributed the amended draft Phase 2 RFP on May 24, 2002.

Written comments were received on the draft Phase 1 Report and the draft Phase 2 RFP from San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) on June 24, 2002. The LIOB submitted a report on June 24, 2002, which contained comments on the draft Phase 1 Report and the draft Phase 2 RFP. No reply comments were received.

We also issued two decisions further modifying the scope of Phase 2. In Decision (D.) 02-07-033, we required that the needs assessment be designed to obtain income and household size data specific to Avista Utilities' service territory for the purpose of estimating the number of CARE-eligible households. In D.02-08-051, we required that the needs assessment include an examination of the economic demographics of Mountain Utilities' service area and an examination of the ethnic demographics in each of the small and multi-jurisdictional utilities' service territories based on recorded census information.

Due to the additional tasks required of the needs assessment, an ACR was issued on August 9, 2002, soliciting comments on a revised budget for Phase 2. The ACR proposed a revised budget of \$1,262,500 for Phase 2, an increase of \$373,900 over the original budget of \$888,600.

Southern California Edison (Edison) filed comments on the proposed revised budget for Phase 2 on August 29, 2002. No reply comments were received.

3. Discussion

Pub. Util. Code § 2790 states, “The Commission will require an electrical or gas corporation to perform home weatherization services for low-income customers...if the Commission determines that a significant need for those services exists in the corporation’s service territory, taking into consideration both the cost effectiveness of the services and the policy of reducing the hardships facing low-income households.” Determining the energy needs of low-income households is an objective of the Needs Assessment Study, and the study is designed to provide valuable information to the Commission on eligible populations, barriers to participation, possible service gaps, enrollment goals, and future program costs.

There was much discussion during the workshops concerning methodologies for collecting data and the direction of the study in general. The draft Phase 1 Report and the draft Phase 2 RFP incorporated numerous comments from interested parties who participated in their development. Additionally, we encouraged interested parties to provide written comments and recommendations on both documents. The May 9, 2002 ACR requested that the LIOB, which had not had previous opportunity to participate in the development of these documents, provide its comments and recommendations on the documents.

The LIOB recommends that language in Section 5.2, General Energy Related Needs and Concerns, of the draft Phase 1 Report be modified to make it clear that, although focus groups often perceived air conditioning as a luxury compared to heating, in reality there are many areas of the state where summer temperatures make air conditioning a necessity. Because the report reflects statements made in focus groups, we do not believe it is necessary or appropriate

to change the reported wording of focus group members. The need for air conditioning in many parts of California is evident and not in dispute.

The LIOB further recommends that the language in Section 4.6.2, Proposal Evaluation Steps, in the draft Phase 2 RFP be modified to require that respondents to the RFP should demonstrate actual experience working with community based organizations regarding collection of demographic data and in reaching and communicating with hard-to-reach customers. Although we concur with the LIOB that such experience is highly desirable, we believe that such qualifications can be taken into account adequately when Energy Division reviews and scores the bid proposals. As specified in the RFP, bidders must show previous experience in performing work similar to that required in Phase 2. Therefore, a well-qualified bidder will need to demonstrate extensive experience in reaching and communicating with hard-to-reach populations.

In their jointly filed comments, SDG&E and SoCalGas made several suggestions for modifying the draft Phase 2 RFP. They state that one of the objectives of Phase 2 should be to address the question of changes in customer need over time due to saturation of weatherization measures and changes in cost effectiveness of measures. They also state that the Phase 2 study should not assume that there will be an increase in customer need over time or an increase in program costs.

We do not expand the scope of Phase 2 as SDG&E and SoCalGas request. The issue of changes in customer need over time is addressed in the draft Phase 1 Report. Although this subject is not discussed thoroughly in the draft RFP, the bidders responding to the RFP are expected to read and be familiar with the issues developed in the Phase 1 Report. Also, the results of Phase 1 do not demonstrate, and the scope of the Phase 2 RFP does not assume, that there will

be an increase in customer need or program costs. The purpose of Phase 2 is to gather data to inform us as to what low-income customer energy-related needs exist and what costs may be incurred to meet those needs, whatever they are. SDG&E and SoCalGas request that the Commission clarify the draft RFP concerning the work plan and schedule to require bidders to identify data needed from the utilities and to include a delivery schedule for that data in their filed plans. We agree that a requirement that proposals include data collection plans would aid in assessing the proposals. As suggested by SDG&E and SoCalGas in reply comments on the draft decision, Energy Division should add the following bullet point to Section 4.4.4 of the Phase 2 RFP:

- Describe the specific data to be collected during the Study and from whom, or where, this data is available, and a proposed timetable for data collection.

SDG&E and SoCalGas request that the Commission clarify Section 4.5 of the draft RFP by stating whether a potential subcontractor may appear in more than one bid and/or may also bid individually on the project. A subcontractor may appear in more than one bid and may also bid as the primary contractor on the project. However, a primary contractor may only submit one proposal. We direct Energy Division to clarify this point in the final RFP.

SDG&E and SoCalGas also request that the Commission include questions in the Phase 2 survey pertaining to customer participation in automatic enrollment partner programs and the Universal Lifeline Telephone Service (ULTS) program. They suggest that this information could be used to measure the potential impact of automatic enrollment on the CARE program and might provide information relevant to implementing joint outreach strategies between CARE and ULTS. Due to the number of questions that will already be asked of surveyed households, and the fact that the utilities already require CARE

participants to identify their sources of income on the CARE application, we find that collecting this information in the surveys is not necessary. Further, the utilities are required to undertake their own evaluation of automatic enrollment and are awaiting Commission action on the “Joint Utilities Final CARE Program Evaluation Plans and Final Request for Proposal” filed November 15, 2002.

There is no need to duplicate the utilities’ efforts in the Needs Assessment Study.

Edison, in its comments on the proposed revised budget for Phase 2, stated that it was not challenging the increase in the Phase 2 budget and, in fact, cautioned that, “it would not be entirely unexpected if costs were to rise even above the revised budget amount.” Edison did not propose a higher budget nor did the company provide any substantiation as to why the budget may be inadequate.

Edison also requested that the small and multi-jurisdictional utilities be required to share the costs of the Phase 2 study on the basis that tasks specific to them have been added to the scope of the study. In D.02-08-051, Ordering Paragraph 6, we already determined that the small and multi-jurisdictional utilities would not be required to share the costs of the components of the Phase 2 study addressed in that order. There is no reason to modify that determination at this time. Edison’s request is denied.

We adopt a Phase 2 budget of \$1,262,500, as proposed in the August 9, 2002 ACR. We also adopt the same allocation of costs among the utilities for Phase 2 that was ordered in Resolution E-3646. That cost allocation is: Pacific Gas and Electric Company (PG&E) and Edison, 30 percent each; SDG&E, 15 percent; and SoCalGas, 25 percent.

Due to the time that has elapsed since the draft Phase 2 RFP was prepared, the timetable for issuing the RFP, reviewing submittals, and completing Phase 2

must be updated. A new timetable for Phase 2 is attached to this Interim Opinion as Attachment 1. Consistent with this new timetable, Section 2.5.3 of the RFP should be modified as needed to reflect the time of year during which the surveys will be conducted.

Subsequent decisions regarding the Needs Assessment Study, such as changes in scheduling and any increases in funding that may be needed, are delegated to the Assigned Commissioner.

4. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules and Practice and Procedure.

Edison filed comments on the draft decision. SDG&E and SoCalGas filed joint reply comments. Because of concerns that the Low-Income Needs Assessment Study yield accurate and reliable data, Edison proposes that the Commission either use the resources of a highly-skilled market researcher and a highly-skilled demographer to review bidders' qualifications and proposed work plans, or use utility staff who possess similar qualifications for the review process. Because Energy Division has skilled staff to review the proposals, we see no need to modify the decision in this regard.

Edison also recommends that the draft decision be revised to require the Phase 2 RFP to request the data collection plan as part of the consultants' submitted bids. In their reply comments, SDG&E and SoCalGas reiterate their support for this revision, which they had requested in their June 24, 2002 comments on the draft Phase 2 RFP. We agree that including data collection plans in Section 4.4.4 of the Phase 2 RFP will aid in assessing the proposals, and adopt the requested revisions.

5. Assignment of Proceeding

Carl W. Wood is the Assigned Commissioner and Meg Gottstein is the assigned ALJ in this proceeding.

Findings of Fact

1. The Commission, in Resolution E-3646, dated March 16, 2000, directed Energy Division to convene workshops for the purpose of designing a Low-Income Needs Assessment Study. This is consistent with the direction provided by Pub. Util. Code § 2790.

2. From October 2001 through March 2002, Energy Division held a series of workshops and focus groups on the study objectives of the Needs Assessment Study and on the RFP for Phase 2 of the study, the primary data-gathering phase.

3. Section 4.4.4 of the Phase 2 RFP should be modified to require bidders to describe data collection needs and a proposed timetable.

4. Section 4.5 of the Phase 2 RFP should be clarified regarding the ability of a potential subcontractor to appear in more than one bid and/or also bid individually on the project.

5. Resolution E-3646 adopted a cost allocation among the utilities for the Needs Assessment Study. That cost split was: PG&E and Edison, 30 percent each; SDG&E, 15 percent; and SoCalGas, 25 percent.

6. Due to the time that has elapsed since the draft Phase 2 RFP was prepared, the timetable for issuing the RFP, reviewing submittals, and completing Phase 2 must be updated and Section 2.5.3 of the RFP should be modified to reflect the time of year during which the surveys will be conducted.

Conclusions of Law

1. It is reasonable to adopt the draft Low-Income Needs Assessment Phase 1 Report.

2. It is reasonable to adopt the RFP for Phase 2 as amended consistent with Findings of Fact 3, 4, and 6.

3. It is reasonable to adopt a budget of \$1,262,500 for Phase 2 of the Low-Income Needs Assessment Study.

INTERIM ORDER

IT IS ORDERED that:

1. The Low-Income Needs Assessment Phase 1 Report is adopted.
2. The Low-Income Needs Assessment Phase 2 Request for Proposal (RFP) is adopted as amended consistent with Findings of Fact 3, 4, and 6.
3. Energy Division shall modify the Phase 2 RFP to reflect the approved amendments, including the new timetable for issuing the RFP and completing Phase 2 of the Low-Income Needs Assessment Study, and shall issue and advertise the Phase 2 RFP within 7 days from the effective date of this order.
4. Energy Division shall file a draft Phase 2 report by April 15, 2004. Comments on the draft Phase 2 report are due by May 15, 2004. Reply comments are due 10 days thereafter.
5. A budget of \$1,262,500 is adopted for conducting Phase 2 of the Low-Income Needs Assessment Study.
6. The cost of Phase 2 shall be shared as follows:

Pacific Gas and Electric Company	30 percent
Southern California Edison Company	30 percent
San Diego Gas & Electric Company	15 percent
Southern California Gas Company	25 percent
7. The Assigned Commissioner may, for good cause, modify the scheduling and funding level of Phase 2 of the Low-Income Needs Assessment Study.

8. All comments and reply comments required by today's decision shall be filed at the Commission's Docket Office and served electronically on all appearances and the state service list in this proceeding and the Low Income Oversight Board (LIOB). A list of the LIOB members and their addresses is attached as Attachment 2. Service by United States mail is optional, except that a hard copy shall be mailed to Judge Meg Gottstein. In addition, if there is no electronic mail address available, the electronic mail is returned to the sender, or the recipient informs the sender of an inability to open the document, the sender shall immediately arrange for alternate service (regular United States mail shall be the default, unless another means—such as overnight delivery—is mutually agreed upon). Parties that prefer a hard copy or electronic file in original format in order to prepare analysis and filings in this proceeding may request service in that form as well. The current service list for this proceeding is available on the Commission's web page, www.cpuc.ca.gov.

This order is effective today.

Dated January 16, 2003, at San Francisco, California.

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

ATTACHMENT 1

Proposal Requirements

Time Schedule for Submission and Review of Proposals

It is recognized that time is of the essence. All proposers are hereby advised of the following schedule and will be expected to adhere to the required dates and times. The following table shows the timetable of events:

Table 0-1: Timetable of Events**Tentative Dates**

Event	Date
Request for Proposal issued and advertised	One week after the decision is issued
Deadline for written questions regarding this Request for Proposal	4 weeks after the decision is issued
Proposals are submitted no later than 2:00 p.m.	7 weeks after the decision is issued
Evaluation of written bids complete	9 weeks after the decision is issued
Bidder interviews start	10 weeks after the decision is issued
Bidder interviews end	11 weeks after the decision is issued
Evaluation of proposals completed	12 weeks after the decision is issued
Public bid opening held at 505 Van Ness Ave.	3 business days after the evaluations are completed
Proposed award notice will be posted at 505 Van Ness Avenue	4 business days after the evaluations are completed
Contract awarded (if no protest is filed by deadline)	14 weeks after the decision is issued
Contract approved and signed by the Commission & consultant (date approximate)	15 weeks after the decision is issued
Department of General Services (DGS) approves contract (date approximate)	18 weeks after the decision is issued
Contract work starts (date approximate, contract and funding have to be approved by the Department of General Services and the Commission before work may begin)	3 business days after DGS approval

Work Plan and Schedule Requirements

Phase II Tasks

The following lists the deliverables and estimated target completion dates for Phase II tasks. Note that all dates are tentative.

Table 0-2: Timetable of Events**Tentative Dates**

Event	Date
Task 1: Refine the Work Scope	20 weeks after the decision is issued
Task 2: Provide Opportunity for Public Input	Throughout the entire project until the final report is adopted by the Commission.
Task 3: Conduct the Onsite Surveys	37 weeks after the decision is issued
Task 4: Analyze Census Data	27 weeks after the decision is issued
Task 5: Develop Estimates of Potential	41 weeks after the decision is issued
Task 6: Characterize the Eligible Population	45 weeks after the decision is issued
Task 7: Assess the Needs of the Eligible Population	50 weeks after the decision is issued
Task 8: Recommendations for Results	50 weeks after the decision is issued
Task 9: Develop a Method to Track Penetration Over Time	54 weeks after the decision is issued
Task 10: Develop a Phase 2 Report	58 weeks after the decision is issued
Task 11: Provide Technical Support	84 weeks after the decision is issued

ATTACHMENT 2

Low Income Oversight Board Members

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(END ATTACHMENT 2)